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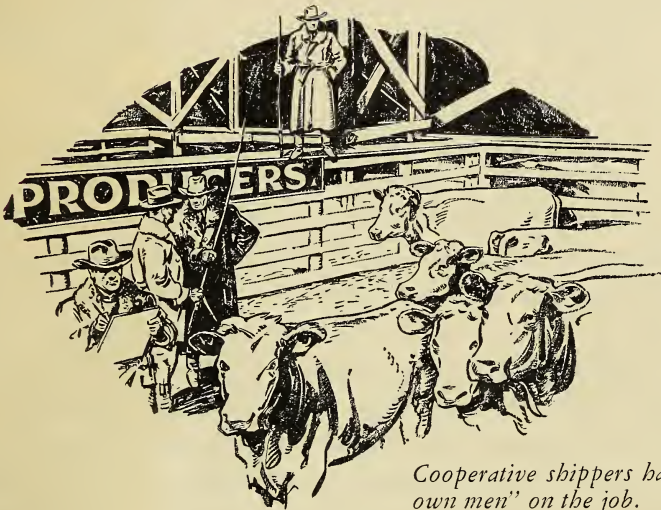
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U. S. Department of Agriculture

Cooperative *Terminal*

LIVESTOCK MARKETING



Cooperative shippers have "their own men" on the job.

TWENTY thousand stockmen—approximately one out of every three who sell livestock at Cincinnati—market through the Producers Cooperative Commission Association. The reasons they use this sales agency are many and varied, but among them is a desire for three services usual in terminal livestock cooperatives:

1. Able and experienced salesmen employed to serve the shippers' interests.
2. Savings in marketing costs.
3. A cooperative set-up through which stockmen have been and may be an important influence in improving marketing conditions.

The first point—that of securing expert services in marketing, and having "their own men" do the job—is one of the principal reasons for farmers forming cooperatives. Savings in costs are a second objective. The third point—that of improving marketing conditions—is one of

the broadest bases for cooperative activity. What has been done and what may be done in this direction measures the scope of the cooperative possibilities, and its relative degree of success.

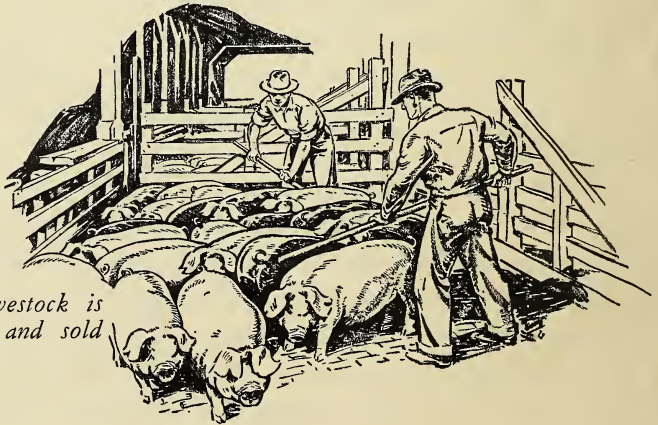
Cooperative Formed to Meet Definite Needs

When Cincinnati Producers was organized in 1925 stockmen saw definite needs for a cooperative. Marketing costs were rising, sales services were unsatisfactory, and market practices in many instances appeared to be unfair and discriminatory. There had been a boost in freight rates, and a generally unhappy situation had been climaxed by a serious decline in livestock prices.

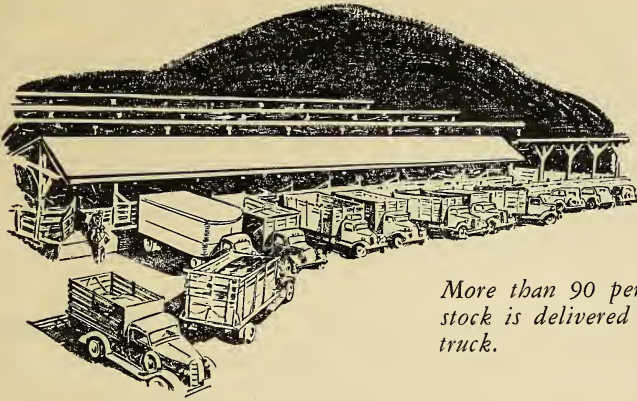
To tackle the problems which were involved called for organized effort. Through an organization, stockmen could more effectively present their case for a reduction in transportation charges, and they were confident they could improve sales services and cut marketing costs by operating their own associations. Many producers believed the marketing information they received was inaccurate and that they were being kept in the dark relative to true market conditions. Some felt that the existing sales agencies were not operated in the producers' interests. The answer was to go into business for themselves.

Thus from the start the Cincinnati group has directed its efforts toward doing a good sales job for its patrons, and at the same time improving conditions for stockmen as a whole. The association pioneered many changes on the market.

There was the matter, for example, of the unsatisfactory market for veal calves. Speculators were active and had things much their own



Each producer's livestock is handled separately and sold individually.



More than 90 percent of all livestock is delivered in Cincinnati by truck.

way. Prices were erratic and fluctuated as much as \$3 to \$4 a hundred pounds during 1 day, and were often lower than at nearby markets. The association met the situation by developing local and eastern order-buying outlets, and calf prices have in recent years compared favorably with those in other sections.

Somewhat similar was the hog marketing situation at Dayton where, prior to 1935, prices ranged from 35 to 50 cents lower than Cincinnati. A branch of the association was established, and quotations subsequently have been more in line with those in other markets. Receipts also have been materially increased since producers' confidence in the market has been restored.

Accomplishments such as these—in fact any general improvements brought about by any cooperative association—reflect to the benefit of all the producers on the market, whether patrons of the organization or not. No single agency can regularly expect to obtain prices consistently higher than any other agency on the market for livestock of similar grade. Once market prices are established all agencies sell at substantially the same price.

This merely emphasizes the fact that one of the most valuable functions of a cooperative is in setting the pace for the market. The cooperative is a tool which producers may use to correct unsatisfactory situations, or to change methods and procedures to meet the changing conditions of the times. The success of the cooperative in doing these jobs depends upon the backing, energy and enthusiasm of its members and its personnel.

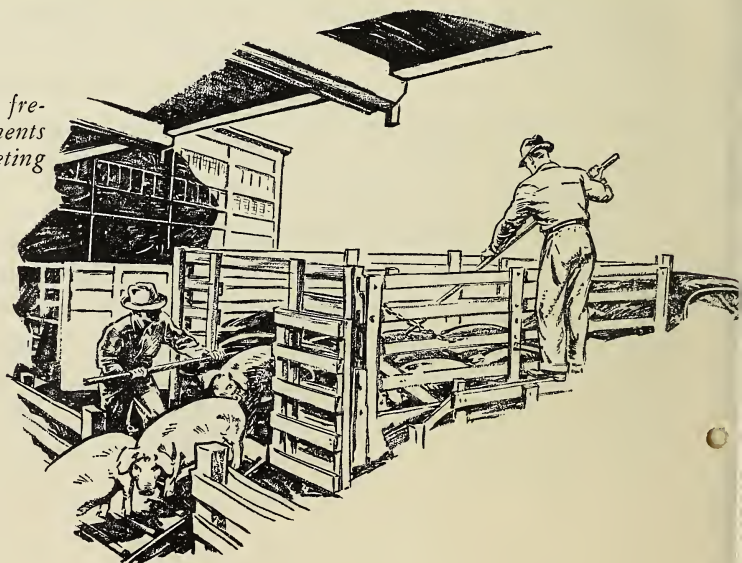
Marketing Changes Result From Joint Effort

Cooperative livestock producers have brought about, through their united efforts, a good many changes in livestock marketing. They probably will assist in creating many more changes in the future—particularly in the direction of meeting adverse factors as they arise. Producers have tested and proven the effectiveness of cooperation, and as they come to agree upon desirable changes, they have their organizations to use toward those ends.

One of the goals which has been suggested for cooperative attention is a program under which livestock will be quoted and sold on the basis of recognized grades and weights. As it is now, livestock may be closely sorted, or it may be sold on the basis of a very liberal sort. Grades are flexible and may be shifted up and down from week to week and season to season to more or less meet the variations in market demand. This lack of constant and fixed grades is felt by some to be an undermining factor in terminal marketing, and also a weak link in the effectiveness of cooperative marketing.

Another situation which holds some hope of cooperative solution is the unorganized and unregulated business arising from livestock trucking. Desirable as trucking may be to an individual producer, the development of this form of transportation has had a back-wash of loose and unsound business methods, cut-throat competition, and a costly turn-over among truckmen. Organization of local truck transportation facilities, however, offers prospect of economies in operation;

Smaller but more frequent consignments is a current marketing trend.



SAVINGS, PATRONAGE DIVIDEND AND RESERVE RECORD 1939

NAME	ADDRESS	VOLUME				COMMISSIONS DOLLARS	SAVINGS DOLLARS	PATRONAGE DIVIDENDS DOLLARS	RESERVES DOLLARS
		CATTLE	CALVES	HOGS	SHEEP				
		HEAD	HEAD	HEAD	HEAD				
<i>H. B. Harris</i>	<i>Hamilton, Ohio</i>	<i>8</i>	<i>3</i>	<i>20</i>	<i>14</i>	<i>16.80</i>	<i>5.88</i>	<i>4.20</i>	<i>1.68</i>
<i>L. M. Hart</i>	<i>Rushville, Ind.</i>		<i>5</i>	<i>64</i>		<i>22.20</i>	<i>7.77</i>	<i>5.55</i>	<i>2.22</i>
<i>J. M. Hart</i>	<i>Genevieve, Mo.</i>			<i>12</i>	<i>46</i>	<i>15.10</i>	<i>5.29</i>	<i>3.77</i>	<i>1.52</i>

Record is kept of each shipper's savings, reserves, and patronage dividends.

and the formation of local cooperative trucking units should insure regular dependable service at reasonable hauling rates to all producers.

Whether livestock cooperatives move in this direction, or in some other direction, depends in the end upon what the members want. Veteran cooperators have seen their earlier goals won and maintained, but new days bring new goals and new directions for cooperative effort.

Patrons Have Stake in their Own Enterprise

Cincinnati Producers charges for its sales services the same commission as other agencies on the market—a schedule approved by the United States Department of Agriculture and amounting to about 2 percent of the gross sales proceeds. From this income the association meets all expenses, establishes reserves, and pays patronage dividends which represent to the shipper a saving in marketing cost. In 14 years patronage dividends have averaged more than 25 percent of total yearly commissions, and have totaled more than half a million dollars.

In addition to his patronage dividend, every farmer patronizing Cincinnati Producers has a further stake in the business in the form of a reserve credit set up on the books to his individual account. These reserves represent cash which is accumulated, from the income over expenses, and which is set aside to assure the financial strength and stability of the organization. They now amount to nearly \$200,000, and the reserves which were retained in the earlier years have now been returned to the members to whom they were credited. Under this "revolving plan" of financing the present patrons contribute a reserve each year, which may be paid back to them in a subsequent year.

Many a patron of Producers perhaps has failed to realize the part he has played in building up the cooperative, and the savings he has gained—because the association has never followed the practice of

mailing statements showing the individual's volume of shipments and his share in savings, reserves, and patronage dividends. He may therefore fail to appreciate the ownership and responsibility which he shares.

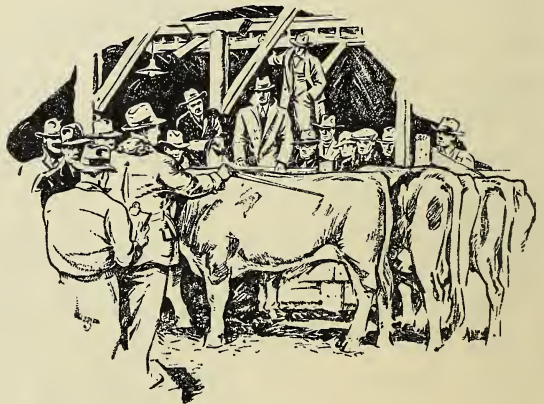
The association's field service work is of course designed to keep patrons informed on this and other cooperative affairs. At the same time this work has necessarily been spread over a wide territory—and in common with most cooperatives, Cincinnati Producers has not exhausted the full possibilities of a broad, definite, and clearly defined informational program. The need for fuller information on the part of cooperative members and patrons is an almost universal need of all cooperatives.

In this connection the utilization of local groups and the organization of marketing tours points a direction by which cooperatives can accomplish the double purpose of informing farmers on the cooperative program, and aiding producers in better supplying the market demands.

Local meetings afford opportunities for producers to talk over marketing problems and determine courses of action. They furnish important contacts between producer members and their association, and are frequently the impetus for starting the ball rolling on jobs which can be accomplished only through cooperation.

The object of market tours is to give producers a better acquaintance with marketing conditions. By getting a first-hand picture of demand requirements, selling methods, trading policies, and weighing practices, they are better able to gage their production and shipping to net themselves the best returns. Through grading demonstrations they are able to spot the desirable and undesirable animal characteristics from the

Grading demonstrations acquaint farmers with the grades of livestock the markets want or do not want.



standpoint of market value, and to learn what livestock will sell to best advantage. Finally, they gain a better idea of how their cooperative operates.

Patrons Represent Community Cross-Section

Included among the members of Cincinnati Producers are cattlemen, dairymen, hogmen, and sheepmen. They are a representative cross section of the rank and file of farmers in southwestern Ohio, southeastern Indiana, north central Kentucky, and as far away as Illinois on the west and Tennessee on the south. Some are large operators feeding several cars of cattle and raising hundreds of head of hogs and lambs a year. Others are extremely small producers, living on the edge of towns, farming only a few acres, and raising only five or six hogs and a veal calf a year.

Numerically the smaller producers predominate among the association's 20,000 patrons. Among the smaller producers are most of the "in-and-outers"—the farmers who may consign to the cooperative one year and to another agency the next. The backbone of the organization is comprised of the 45 percent of the membership that furnishes 74 percent of the volume. Among them are the larger producers who ship through the cooperative year in and year out—who probably have more at stake in their livestock production and are keenly aware of the value and potential importance of a cooperative set-up.

This again points a direction for the concentration of association activities in the matter of membership contacts and information. The needs and desires of the smaller shippers are essentially the same as those of the larger shippers, but since the latter have most at stake they are perhaps in better position to appraise the results and formulate the objectives of the cooperative's services.

Membership is Not Restrictive

Membership in Cincinnati Producers is open to all producers. There is no membership fee and no contract which obligates members to compulsory patronage. Members are free to ship to the association or not as they choose.

All livestock sold is received on consignment and each consignment is sold on its merits. Risks involved in market fluctuation are stood by the producer.

The association is governed by a board of nine directors elected by members in the respective districts for terms of 3 years. Directors receive no salary but are paid a per diem plus actual expenses incurred in attending meetings. Among the sound business principles adhered to in the conduct of the cooperative's affairs is a rule providing a roll-call vote on all motions carrying an appropriation of funds; a provision that no director shall serve as manager, salesman, or employee of the association; and a provision against speculation of any kind in the association's business.

Service is Chief Claim to Patronage

In common with cooperatives generally, Cincinnati Producers principal claim to patronage lies in the quality of the sales service it renders members and patrons. The theory is that if the cooperative delivers a superior sales service the producer will use it. If it fails to do a satisfactory job, it has little claim to membership support. On this basis it has sold some \$100,000,000 worth of livestock.

Aside from sales service, however, cooperators get several "plus values" from their organization. They receive, individually, whatever savings are made possible by cooperative selling. They share with their fellow members in the equity they help build in a farmer-owned business. And they divide, with all the producers, the benefits that are gained by cooperative effort in improved marketing conditions.

This leaflet is condensed from Bulletin 34, "Cooperative Marketing of Livestock at Cincinnati," by H. H. Hulbert, senior agricultural economist. Copies of this larger publication with more detailed information may be obtained, while available, from—

Information and Extension Division
Farm Credit Administration
United States Department of Agriculture
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